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MANAGEMENT

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February 7, 2012

VIA FEDERAL EXPRESS

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W., Room 1034
Washington, DC 20024

Re: **Finance Docket No. 35587**
Fannin Rural Rail Transportation District -- Lease and Operation
Exemption -- Line of Texas Department of Transportation

Dear Ms. Brown:

At the request of the Fannin Rural Rail Transportation District, I am enclosing for filing in the above-captioned proceeding are an original and ten copies of a **Verified Notice of Exemption Pursuant to 49 C.F.R. § 1150.32**, dated February 1, 2012. A check in the amount of \$1,800, representing the appropriate fee for this filing, and a compact disk containing the text of the Notice and the *Federal Register* caption summary in MS Word 2003 format are attached.

One extra copy of the Notice and this letter also are enclosed. I would request that you date-stamp those items to show receipt of this filing and return them to me in the provided envelope.

If you have any questions regarding this filing, please feel free to contact me. Thank you for your assistance on this matter.

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FEB 09 2012

TJL:tl

TRANSPORTATION BOARD

Respectfully submitted,

Thomas J. Litwiler

Enclosures

cc: Mr. Glenn M. Taylor, FRRTD

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FEB 8 2012
MANAGEMENT
SFB

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 35587

FANNIN RURAL RAIL TRANSPORTATION DISTRICT
-- LEASE AND OPERATION EXEMPTION --
LINE OF TEXAS DEPARTMENT OF TRANSPORTATION

VERIFIED NOTICE OF EXEMPTION
OF
FANNIN RURAL RAIL TRANSPORTATION DISTRICT
PURSUANT TO 49 C.F.R. § 1150.32

Glenn M. Taylor
President
Fannin Rural Rail Transportation District
514 Chestnut Street
Bonham, Texas 75418
(903) 227-1891

Dated: February 1, 2012

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 35587

**FANNIN RURAL RAIL TRANSPORTATION DISTRICT
-- LEASE AND OPERATION EXEMPTION --
LINE OF TEXAS DEPARTMENT OF TRANSPORTATION**

**VERIFIED NOTICE OF EXEMPTION
OF
FANNIN RURAL RAIL TRANSPORTATION DISTRICT
PURSUANT TO 49 C.F.R. § 1150.32**

Fannin Rural Rail Transportation District ("FRRTD"), a non-carrier, hereby files this notice of exemption under 49 C.F.R. § 1150.31, et seq., to lease a rail line owned or shortly to be acquired by the Texas Department of Transportation ("TxDOT") extending from milepost 94.0 in Paris, Texas to milepost 128.78 in Bonham, Texas, a distance of approximately 34.78 miles (the "Bonham Line"). FRRTD leased most of the Bonham Line from TxDOT in 2006, but now believes that it did not have proper Board authority for that lease. No rail operations of any kind have been conducted on that segment of the Bonham Line during the intervening period. FRRTD is filing this notice of exemption in connection with TxDOT's pending acquisition, and FRRTD's pending lease, of a short additional segment of the Bonham Line, and to ensure that FRRTD possesses appropriate regulatory authority for the entire Bonham Line.

Based on projected revenues for the Bonham Line, FRRTD expects to be a Class III rail carrier.

In accordance with the requirements of 49 C.F.R. § 1150.33, FRRTD submits the following information:

Name and Address of Applicant: 49 C.F.R. § 1150.33(a)

The full name and address of the applicant herein is as follows:

Fannin Rural Rail Transportation District
514 Chestnut Street
Bonham, Texas 75418
(903) 227-1891

Applicant's Representative: 49 C.F.R. § 1150.33(b)

FRRTD's representative to whom correspondence regarding this transaction should be sent is as follows:

Glenn M. Taylor
President
Fannin Rural Rail Transportation District
514 Chestnut Street
Bonham, Texas 75418
(903) 227-1891

Statement Concerning Agreement: 49 C.F.R. § 1150.33(c)

FRRTD and TxDOT previously entered into a Lease and Operating Agreement dated as of February 1, 2006 providing for FRRTD's lease of the portion of the Bonham Line extending from milepost 94.0 near Paris, Texas to milepost 127.5 near Bonham, Texas (the "Paris-Bonham Segment"). FRRTD and TxDOT anticipate shortly entering into an amended version of the 2006 lease that will provide for FRRTD's lease of the portion of the Bonham Line extending from milepost 127.5 to milepost 128.78 in Bonham (the "Bonham City Segment").

Operation of the Property: 49 C.F.R. § 1150.33(d)

No common carrier freight operations are currently conducted on the Bonham Line. Mid-Michigan Railroad, Inc., d/b/a Texas Northeastern Railroad ("TNER") has the right to provide freight service on the Bonham City Segment pursuant to local trackage rights granted by

TxDOT. *See Mid-Michigan Railroad, Inc., d/b/a Texas Northeastern Railroad -- Trackage Rights Exemption -- Line of Texas Department of Transportation*, Finance Docket No. 35494 (STB served June 24, 2011) ("*TNER Trackage Rights*"). Freight service on the Paris-Bonham Segment would be provided as necessary by an operator selected by FRRTD. Any such operator would seek appropriate Board authority prior to the commencement of service on the line. FRRTD and TxDOT retain a residual common carrier obligation on the entire Bonham Line.

Summary of the Transaction: 49 C.F.R. § 1150.33(e)

In 2003, FRRTD received authorization under the offer of financial assistance ("OFA") procedures to acquire the Paris-Bonham Segment from Union Pacific Railroad Company ("UP") after UP obtained abandonment approval (via class exemption) for the line. *Union Pacific Railroad Company -- Abandonment Exemption -- In Lamar and Fannin Counties, TX -- In the Matter of an Offer of Financial Assistance*, Docket No. AB-33 (Sub-No. 163X) (STB served August 19, 2003). Instead of acquiring the line itself, however, FRRTD assigned its interests to TxDOT, with the intention that TxDOT would acquire the line from UP and then lease the line back to FRRTD. TxDOT subsequently filed outside of the OFA procedures for its acquisition of the Paris-Bonham Segment from UP. *State of Texas, acting by and through the Texas Department of Transportation -- Acquisition Exemption -- Union Pacific Railroad Company*, Finance Docket No. 34834 (STB served February 24, 2006) ("*TxDOT/UP I*"). FRRTD did not make a separate filing to lease the Paris-Bonham Segment from TxDOT, apparently believing that its 2003 OFA authority was sufficient to cover that transaction.¹

¹ The parties in *TxDOT/UP I* expressly disclosed the intended lease-back of the Paris-Bonham Segment to FRRTD. *See TxDOT/UP I* at 1-2. The parties have now concluded, however, that FRRTD's OFA authority to acquire the line from UP did not encompass FRRTD's subsequent lease of the line from TxDOT.

In mid-2011, TxDOT was authorized to acquire from UP the Bonham City Segment, which connects with the Paris-Bonham Segment that TxDOT already owns. *Texas Department of Transportation -- Acquisition Exemption -- Line of Union Pacific Railroad Company*, Finance Docket No. 35493 (STB served June 24, 2011) ("*TxDOT/UP II*"). TxDOT agreed to grant local trackage rights on the Bonham City Segment to TNER,² and now proposes to lease the Bonham City Segment (subject to the TNER trackage rights) to FRRTD.³ Once the transactions are completed, TxDOT will own and FRRTD will lease the entire Bonham Line, and TNER will be responsible for freight service on the Bonham City Segment. Any future freight service on the currently-dormant Paris-Bonham Segment would be provided by a third-party operator, subject to proper Board authorization. FRRTD and TxDOT will possess a residual common carrier obligation on the Bonham Line, and FRRTD will sponsor tourist train operations on the line as well. The purpose of the transactions is to preserve the availability of rail service on lines otherwise subject to abandonment.

The full name and address of the entity leasing the Bonham Line to FRRTD is as follows:

Texas Department of Transportation
Rail Division
125 East 11th Street
Austin, Texas 78701-2483

FRRTD expects to consummate the lease of the Bonham City Segment from TxDOT on or after March 9, 2012. As indicated above, the lease of the Paris-Bonham Segment has been in effect since 2006.

² See *TNER Trackage Rights*, *supra*.

³ None of the transactions with respect to the Bonham City Segment has yet to be consummated.

Map: 49 C.F.R. § 1150.33(f)

A map showing the Bonham Line and indicating the area served by the line, including origins, termini, stations, and cities, is attached as Exhibit A to this notice.

Certificate of Compliance: 49 C.F.R. § 1150.33(g)

A Certificate of Compliance with the provisions of 49 C.F.R. § 1150.33(g) is attached as Exhibit B to this notice.

Interchange Commitments: 49 C.F.R. § 1150.33(h)

The proposed lease of the Bonham Line by FRRTD does not involve any provision or agreement that would limit future interchange with a third-party connecting carrier.

Advance Notice: 49 C.F.R. § 1150.32(e)

The projected annual revenue of FRRTD does not exceed \$5 million, and accordingly the advance notice requirements of 49 C.F.R. § 1150.32(e) are not applicable to this transaction. See Exhibit B hereto.

Environmental and Historic Preservation Data: 49 C.F.R. § 1105

Under 49 C.F.R. § 1105.6(c)(2), the proposed lease of the Bonham Line by FRRTD is exempt from environmental reporting requirements. FRRTD's lease of the line will not result in significant changes in carrier operations, i.e., changes that exceed the thresholds established in 49 C.F.R. § 1105.7(e)(4) or (5).

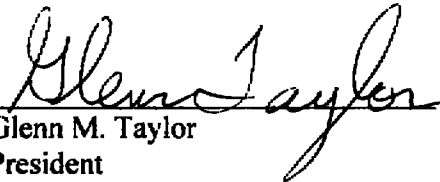
Under 49 C.F.R. § 1105.8(b)(1), the proposed lease of the Bonham Line by FRRTD also is exempt from historic preservation reporting requirements. FRRTD's lease of the line is for the purpose of future rail operations. Further Surface Transportation Board approval is

required to discontinue or abandon any service and there are no plans to dispose of or alter properties subject to Board jurisdiction that are fifty years old or older.

Caption Summary: 49 C.F.R. § 1150.34

A caption summary in appropriate form is attached as Exhibit C to this notice.

Respectfully submitted,

By: 
Glenn M. Taylor
President

Fannin Rural Rail Transportation District
514 Chestnut Street
Bonham, Texas 75418
(903) 227-1891

Dated: February 1, 2012

Legend

- Fannin RRTD
- Proposed Purchase
- Railroad Lines
- Interstates
- Road Network
- Cities


Map Labels: FANNIN, LAMAR, GRAYSON, HUNT, Paris, Honey Grove, Dodd City, Bonham, Bonham, 1.28 mile purchase, Up-Ther, Currently Owned by TxDOT, Corrine, Delta, Sulphur Spn.

Disclaimer: PREPARED BY THE TEXAS DEPARTMENT OF TRANSPORTATION FOR THE FANNIN COUNTY RAILROAD TRUST. THIS MAP HAS BEEN PREPARED FOR INFORMATIONAL USE ONLY. IT IS NOT A CONTRACT. THE TEXAS DEPARTMENT OF TRANSPORTATION ASSUMES NO LIABILITY FOR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SHOWN ON THIS MAP. THE TEXAS DEPARTMENT OF TRANSPORTATION ASSUMES NO LIABILITY FOR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SHOWN ON THIS MAP. THE TEXAS DEPARTMENT OF TRANSPORTATION ASSUMES NO LIABILITY FOR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SHOWN ON THIS MAP.

CERTIFICATION

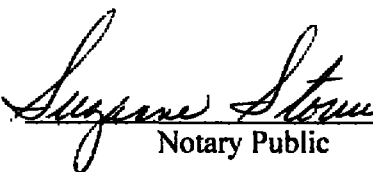
State of Texas)
) ss:
County of Fannin)

Glenn M. Taylor, being duly sworn, hereby certifies that the projected annual rail revenue of Fannin Rural Rail Transportation District does not exceed \$5 million and will not result in the creation of a Class II or Class I carrier under the provisions of 49 C.F.R. § 1201 (1-1).



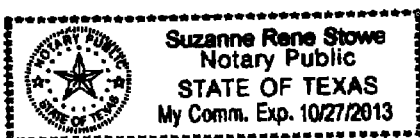
Glenn M. Taylor
President

SUBSCRIBED AND SWORN TO
before me this 1 day
of February, 2012.



Notary Public

My Commission expires:



SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

FINANCE DOCKET NO. 35587

**FANNIN RURAL RAIL TRANSPORTATION DISTRICT
-- LEASE AND OPERATION EXEMPTION --
LINE OF TEXAS DEPARTMENT OF TRANSPORTATION**

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Comments must be filed with the Board and served on:

Glenn M. Taylor
President
Fannin Rural Rail Transportation District
514 Chestnut Street
Bonham, Texas 75418
(903) 227-1891

This Notice is filed under 49 C.F.R. § 1150.31. If the Notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. § 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.


Dated: February __, 2012

By the Board, Rachel D. Campbell, Director, Office of Proceedings

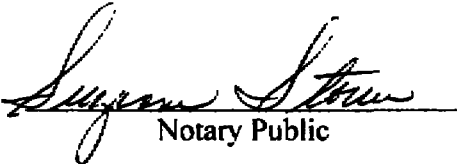
VERIFICATION

State of Texas)
) ss:
County of Fannin)

Glenn M. Taylor, being duly sworn, deposes and says that he is President of Fannin Rural Rail Transportation District, that he has read the foregoing Notice of Exemption and knows the facts asserted therein, and that the same are true as stated.


Glenn M. Taylor

SUBSCRIBED AND SWORN TO
before me this 1 day
of February, 2012.


Notary Public

My Commission expires:

